

PUBLIC DISCLOSURE

May 17, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

PILGRIM CO-OPERATIVE BANK

**48 SOUTH MAIN STREET
COHASSET, MASSACHUSETTS 02025**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MASSACHUSETTS 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (the "Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **PILGRIM CO-OPERATIVE BANK** (the "Bank") prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The primary factors supporting the Bank's overall rating include:

Loan to deposit and share ratio

The Bank's average net loan to deposit ratio has averaged 66.0 percent for the period of June 30, 2002 to March 31, 2004, and is considered to meet the standards for satisfactory performance. It should be noted that the ratio is on the rise and was at its highest on December 2003, when it stood at 72.3 percent.

Credit Extended Inside and outside the assessment area

The Bank has extended a majority of its loans by both number and dollar amount within its assessment area. A total of 66.0 percent of its Home Mortgage Disclosure Act (HMDA) reportable loans was granted within its assessment area.

Distribution of Credit among Individuals of Different Incomes

Based on the demographics and the Bank's comparison to the 2002 aggregate data, the Bank has effectively met the credit needs of individuals of all income levels including those of low- and moderate-income. Based on this performance, the Bank meets the standards for satisfactory performance in this category.

Geographic Distribution of Loans

The Bank's lending within its middle- and upper-income census tracts is reasonably distributed, and the performance within those tracts is considered to meet the standards for a satisfactory performance.

Response to Complaints and Fair Lending

The Bank has not received any CRA related complaints since the prior examination. The Bank's fair lending performance was found to be satisfactory at this time.

PERFORMANCE CONTEXT

Description of Institution

Pilgrim Co-operative Bank is a state-chartered mutually-owned institution chartered by the Commonwealth of Massachusetts. The Bank's main office is located at 48 South Main Street in downtown Cohasset. In addition, the Bank operates a full-service branch at 800 Chief Justice Cushing Way, Cohasset. Both offices have Automated Teller Machines (ATMs). The Bank is a member of the SUM Network, that allows the Bank's ATM cardholders free use at member institution ATMs. Hours of operation are convenient and include extended hours on Thursday and Friday evenings and Saturday mornings at each office.

The Bank is a participant in the Basic Banking for Massachusetts program and offers a low cost savings program with a minimum of \$10 to open the account and earns 0.10 percent interest and no fees. In addition, the Bank offers a basic checking product that has a minimum deposit of \$10 to open the account and offers 0.75 percent interest and no fees.

The Bank operates in a very competitive market. Local competitors include but are not limited to the following: Hingham Institution for Savings; Weymouth Bank; South Shore Savings Bank; Rockland Trust Company; and numerous regional and national mortgage companies. The market influence from these institutions appears to be significant, and as a result, serves to keep the Bank's rates and services offered competitive.

According to the March 31, 2004 Federal Financial Institutions Examination Council (FFIEC) Quarterly Call Report, the Bank had \$120,227,000 in assets; of which gross loans represented \$76,273,000, or 63.4 percent, of total assets. Approximately 98.7 percent of the Bank's loan portfolio is in real estate loans, with 94.0 percent of those loans secured by 1-4 family real estate.

Description of Institution (continued)

Refer to the following table for details of the Bank's loan portfolio by type.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	\$62,347	81.7
Equity Lines of Credit	\$8,477	11.1
Commercial Real Estate	\$3,152	4.1
Multifamily Loans	\$689	0.9
Construction and Land Development	\$684	0.9
Total Real Estate Loans	\$75,349	98.7
Consumer and All Other Loans	\$1,069	1.4
Less: Unearned Income	\$145	(0.1)
Total Gross Loans	\$76,273	100.0

Source: March 31, 2004 Consolidated Report of Condition.

Overall, the Bank's ability to meet community credit needs is considered reasonable based on its financial condition and asset size. There are no financial or legal impediments that would limit the Bank's ability to meet the credit needs of the assessment area. The Federal Deposit Insurance Corporation (FDIC) and the Division last examined the Bank for compliance with CRA on August 27, 1999. That examination resulted in a CRA rating of Satisfactory.

Description of Assessment Area

CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank defines its assessment area as the Town of Cohasset in Norfolk County, and the Towns of Hingham, Hull, Norwell and Scituate, located in Plymouth County.

2002 ASSESSMENT AREA

Using 1990 census data, the Bank's assessment area was comprised of 12 census tracts, of which four (33.3 percent) were designated as middle-income, and eight (66.7 percent) were upper-income census tracts. There are no low- or moderate-income tracts within the assessment area.

Assessment area housing data, based on 1990 census data, indicated that there are 25,203 housing units, of which 71.4 percent are owner-occupied, 17.1 percent are rental and 11.5 percent are vacant. The area's total population is 63,437 persons. The area contains 22,227 households, of which 25.0 percent receive social security.

2003 ASSESSMENT AREA

Utilizing the 2000 census data, the Bank's assessment area contains 12 census tracts. Of these, two (16.7 percent) are designated middle-income, and ten (83.3 percent) are upper-income census tracts. There are no low- or moderate-income tracts in the Bank's assessment area.

Assessment area housing data, based on 2000 census data, indicated that there are 26,542 housing units, of which 76.6 percent are owner-occupied, 15.1 percent are rental and 8.3 percent are vacant. The assessment area's total population is 65,821. The assessment area contains 24,301 households, of which 27.9 percent receive social security.

Change in Demographics

In 2003, the US Census Bureau released its revised demographics based upon 2000 census data. The following table reflects both the 1990 and 2000 census data of the Bank's assessment area by census tract income groupings.

Change in Assessment Area Demographics					
Census Tracts	1990 Census Data		2000 Census Data		% Change in Number of Census Tracts
	#	%	#	%	
Middle	4	33.3	2	16.7	-50.0
Upper	8	66.7	10	83.3	25.0
Total	12	100.0	12	100.0	0.0

Source: PCI Services, Inc., CRA Wiz Software.

PERFORMANCE CRITERIA

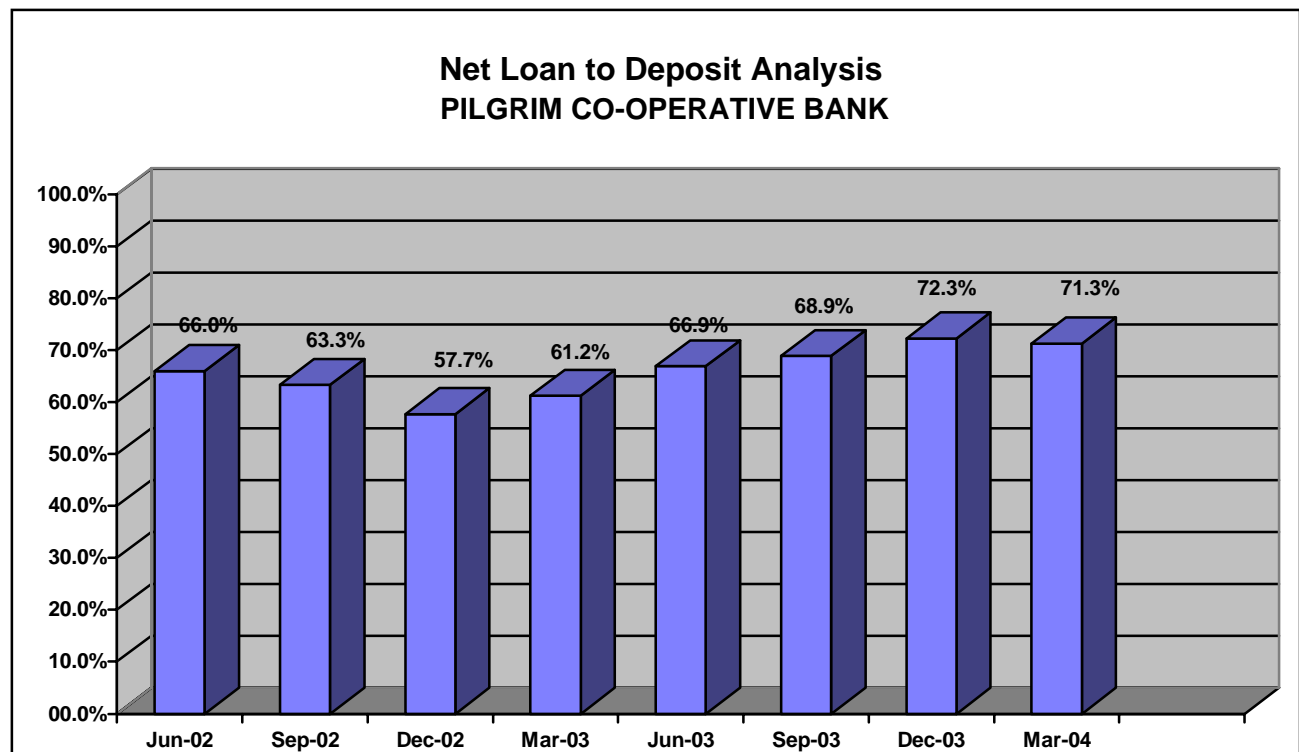
1. NET LOAN TO DEPOSIT ANALYSIS

An analysis of the Bank's net loan to deposit ratio was performed during the examination. The calculation incorporated eight quarters of the Bank's net loan to total deposit figures utilizing the FFIEC quarterly call reports. This review included the quarters ending June 30, 2002 through March 31, 2004.

The Bank's average loan to deposit ratio during the period under examination was determined to be 66.0 percent. The ratio has fluctuated from a low of 57.7 percent on December 31, 2002, to a high of 72.3 percent on December 31, 2003. The overall increase in the ratio can be attributed to a 21.3 percent growth in loans and a 12.2 percent growth in deposits. The decrease in the ratios from June 30, 2002, to December 31, 2002, can be attributed to a 4.9 percent decrease in loans and an 8.7 percent increase in deposits. It should also be noted that during 2003, the Bank purchased 29 mortgage loans totaling \$10,053,000.

NET LOAN TO DEPOSIT ANALYSIS (continued)

The following graph illustrates the Bank's Net Loan to Deposit ratios.



The most recent Uniform Bank Performance Report, which includes 166 institutions with assets of \$100 million to \$300 million, compares the Bank to its peers. This report, for December 31, 2003, indicated the Bank's 72.3 percent net loan to deposit ratio was below its peers 76.7 percent, placing the Bank in the 44th percentile.

The Bank's average net loan to deposit ratio was compared to the ratios of five other institutions with similar asset sizes. The ratios used for the Bank and the other institutions were as of March 31, 2004. These percentages range from a low of 60.7 percent to a high of 74.3 percent. Refer to the following table.

INSTITUTION	NET LOAN TO DEPOSIT RATIO
Medway Co-operative Bank	74.3
Weymouth Bank	74.1
Saugus Co-operative Bank	71.9
Pilgrim Co-operative Bank	71.3
Mechanics Co-operative Bank	61.0
Melrose Co-operative Bank	60.7

NET LOAN TO DEPOSIT ANALYSIS (continued)

Based on the above information and the Bank's capacity to lend, its asset size, strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the Bank's loan to deposit ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (S)

Data regarding the Bank's HMDA-reportable lending activity for 2002 and 2003 was reviewed to determine the proportion of loans originated within the assessment area by number and dollar amount. Lending data was obtained from the Bank's Loan Application Register (LAR) filed under the provisions of HMDA.

For the period reviewed, the Bank originated 253 HMDA-reportable loans totaling \$60 million. Of these loans, 167, representing 66.0 percent of the total loans, were originated in the assessment area. By dollar amount, these loans totaled \$38 million, or 63.4 percent. Of the 167 loans originated within the assessment area, 153 (91.6 percent) were for refinances and 14 (8.4 percent) were for conventional home purchases. The Bank had a 189 percent increase in loans from calendar year 2002 to 2003, due in part to the Bank's purchasing mortgage loans.

Distribution of HMDA Reportable Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2002	52	80.0	12,592	84.0	13	20.0	2,398	16.0
2003	115	61.2	25,486	56.3	73	38.8	19,753	43.7
Total	167	66.0	38,078	63.4	86	34.0	21,971	36.6

Source: HMDA /LAR, CRA Wiz

Based on the above information, it is evident that the majority of the number and dollar amount of the Bank's HMDA reportable loans have been extended within its assessment area. Therefore, the Bank's level of lending within its assessment area meets the standards for satisfactory performance.

3. LENDING TO BORROWERS OF DIFFERENT INCOMES

An analysis of HMDA reportable loans extended within the Bank's assessment area, among various income levels during 2002 and was conducted. Originations were categorized by the ratio of the applicant's reported incomes to the 2002 and 2003 estimated median family incomes of the Boston Metropolitan Statistical Area (MSA). These income figures are based on estimated Department of Housing and Urban Development (HUD) information. The estimated 2002 and 2003 HUD median family incomes for the Boston MSA are \$74,200 and \$80,800, respectively.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

The following table compares the Bank's 2002 borrower income distribution to that of the HMDA aggregate lenders. Furthermore, the table also compares these presentations to the distribution of family households within the assessment area.

Distribution of HMDA loans by Borrower Income				
Median Family Income Level	% Total Households Per 1990 Census Data	Aggregate Lending Data (% of #)	2002	
		2002	#	%
Low	14.8	2.6	2	3.9
Moderate	11.8	9.2	6	11.5
Middle	17.4	18.6	14	26.9
Upper	56.0	51.2	30	57.7
N/A		18.4		
Total	100.0	100.0	52	100.0

Source: 1990 U.S. Census, HMDA/LAR, and HMDA Aggregate Data

During 2002, the Bank extended two loans to low-income borrowers representing 3.9 percent of the total loans originated within the assessment area. This is below the 14.8 percent of low-income households within the assessment area. However, this is reasonable based on the escalating prices of housing in the assessment area, the overall market conditions which make credit opportunities for low-income borrowers very limited. The Bank outperformed the aggregate in lending to low- and moderate-income borrowers. The Bank's percentage of lending to low-income borrowers was 3.9 percent, compared to the aggregate 2.6 percent. In lending to moderate-income borrowers, the Bank had 11.5 percent compared to the aggregate 9.2 percent.

In 2002, the Bank originated six loans to moderate-income borrowers, representing 11.5 percent of the total originations within the assessment area. This percentage is slightly below the 11.8 percent of moderate-income households within the assessment area, however this percentage exceeds the aggregate 9.2 percent.

LENDING TO BORROWERS OF DIFFERENT INCOMES (continued)

The following table compares the Bank's 2003 borrower income distribution to the distribution of family households within the assessment area.

Distribution of HMDA loans by Borrower Income			
Median Family Income Level	% Total Households per 2000 Census Data	2003	
		#	\$
Low	16.6	7	6.1
Moderate	11.9	11	9.6
Middle	16.6	24	20.9
Upper	54.9	73	63.4
Total	100.0	115	100.0

Source: 2000 U.S. Census, HMDA/LAR, and HMDA Aggregate Data

The Bank's performance in lending to low- and moderate-income borrowers is below the percentage of households within the assessment area, however, mitigating factors as previously mentioned including market conditions are a big factor in this criteria.

Given the demographics of its assessment area and the comparison to the aggregate the distribution of HMDA-reportable loans by borrower income is considered to meet the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The table below shows the number of HMDA-reportable loans in comparison to the number of owner-occupied housing units in each census tract. In addition, the Bank's HMDA reportable loans were compared to that of all other HMDA-reporters in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2002. Refer to the following table for details.

Distribution of HMDA Loans by Income Category of the Census Tract				
Census Tract Income Level	% Total Owner-Occupied Housing Units per 1990 Census Data	Aggregate Lending Data (% of #)	2002	
		2002	#	%
Middle	42.2	36.5	13	25.0
Upper	57.8	63.5	39	75.0
Total	100.0	100.0	52	100.0

Source: 1990 U.S. Census, HMDA/LAR, and HMDA Aggregate Data

GEOGRAPHIC DISTRIBUTION OF LOANS (continued)

Despite the lack of low- and moderate-income census tracts within the assessment area, the Bank has shown a willingness to lend to low and moderate-income borrowers as depicted in the “Lending to Borrowers of Different Incomes Criteria.” Approximately, 15.6 percent of the residential mortgage loans granted in 2002 and 2003 were to low- and moderate-income applicants.

As demonstrated above, the percentage of the Bank’s lending activity within middle-income census tracts for 2002 is lower than the percentage of owner-occupied units within the assessment area and the aggregate. Lending activity in upper-income census tracts was higher than that of the aggregate and the percentage of owner-occupied units. This is reasonable based on the demographics of the assessment area.

The following table compares the Bank’s 2003 geographic lending distribution to the percentage of owner-occupied units based on 2000 Census data.

Distribution of HMDA Loans by Income Category of the Census Tract			
Census Tract Income Level	% Total Owner-Occupied Housing Units per 2000 Census Data	year-to-date 2003	
		#	\$
Middle	20.2	14	12.2
Upper	79.8	101	87.8
Total	100.0	115	100.0

Source: 2000 U.S. Census, HMDA/LAR, and HMDA Aggregate Data

As shown in the above table, 12.2 percent of the Bank’s loans for the period under review were within the Bank’s middle-income census tracts. This is lower than the assessment area’s percentage of owner-occupied units. Conversely, 87.8 percent of the loans were originated within the upper-income census tracts, which is a higher percentage of owner-occupied housing units in the assessment area.

Based on the above information and the demographics of the assessment area, the Bank is considered to have a reasonable distribution of loans throughout its assessment area. Hence, the Bank is considered to meet the standards for satisfactory performance in this category.

5. REVIEW OF COMPLAINTS/FAIR LENDING

REVIEW OF COMPLAINTS

The Bank has not received any complaints regarding its CRA performance since the previous examination.

FAIR LENDING POLICIES

The Bank's fair lending data was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

The Bank has a Fair Lending Policy which, is approved by the Board of Directors on an annual basis. Bank management ascertains the credit needs of its assessment area through their involvement in the community. The Bank markets its services and products to the community through direct mailings, advertisements in a local newspaper and the Internet.

To ensure that the circumstances of a denial are based on fact and that the process is consistent in all cases, denied applications are reviewed by the Security Committee

MINORITY APPLICATION FLOW

The Bank received five mortgage applications from various minority groups for 2002 and 2003 combined, representing 2.7 percent of all residential loan applications. Of these, five (100.0 percent) were originated. The HMDA aggregate lenders in 2002 received 2.5 percent of all the residential applications from various minority groups. In comparison, the Bank's minority applicants in 2002 represented 1.6 percent of all applicants. The table following provides further details.

MINORITY APPLICATION FLOW								
Racial Designation	Aggregate Data 2002		2002		2003		Totals	
	#	%	#	%	#	%	#	%
Native American	31	0.3	0	0.0	0	0.0	0	0.0
Asian	49	0.4	0	0.0	1	0.8	1	0.5
Black	17	0.1	0	0.0	0	0.0	0	0.0
Hispanic	34	0.3	0	0.0	0	0.0	0	0.0
Joint	101	0.9	1	1.6	3	2.4	4	2.2
Other	73	0.6	0	0.0	0	0.0	0	0.0
Total Minority	305	2.5	1	1.6	4	3.2	5	2.7
White	7,711	64.4	59	96.8	121	96.8	180	96.8
N/A	3,968	33.1	1	1.6	0	0.0	1	0.5
Total	11,984	100.0	61	100.0	125	100.0	186	100.0

MINORITY APPLICATION FLOW (continued)

In addition, the Bank's minority application flow was compared to the racial composition of the assessment area. The table details the assessment area's racial composition for the 1990 and 2000 U.S. Census.

Change in Assessment Area Racial Demographics					
Race	1990 Census Data		2000 Census Data		% Change in Number of Persons
	#	%	#	%	
Native American	52	0.1	52	0.1	0.0
Asian	399	0.6	520	0.8	30.3
Black	237	0.4	247	0.4	4.2
Hispanic	498	0.8	529	0.8	6.2
Other	304	0.5	798	1.2	162.5
White	61,937	97.6	63,675	96.7	2.8
Total Persons	63,427	100.0	65,821	100.0	3.7
Total Minority	1,490	2.4	2,146	3.3	44.0

The assessment area's total population increased by 3.7 percent, while the total minority population increased by 44.0 percent. The Asian, Hispanic and Black communities increased by 30.3, 6.2, and 4.2 percent, respectively. However, the racial group called "other" experienced the largest increase of any minority category, with a 162.5 percent growth.

Given the racial composition and the HMDA aggregate application data for 2002, the Bank's level of attracting minority applicants is considered to be reasonable.

In addition, a review was conducted for compliance with fair lending laws and regulations and no violations of the substantive provisions of anti-discriminatory laws and regulations were identified.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

PILGRIM CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **March 29, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.